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May 11, 2000

The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
Case Control Unit
Attn: STB Ex Parte No. 582 (Sub-No. 1)
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Mr. Williams:

PPG Industries, Inc. is a diversified manufacturer of chemicals, protective coatings, glass and fiber glass employing over 21,000 in the United States and with 77 major facilities in 23 states. Total global sales in 1999 were $7.8 billion and we employ about 33,800 world-wide.

Our company is a significant user of railroad transportation services for both the receipt of key raw materials and the shipping of our products to customers. Rail transportation is particularly important to us for the shipment of the soda ash raw material from Green River, WY, to our glass and specialty chemicals plants and the shipment of our major industrial chemical products, chlorine and caustic soda, to our customers. Importantly, because of safety considerations, several of our chemical products can only be shipped by rail and shipment by truck is not an alternative. PPG owns and leases approximately 2,500 rail cars to transport our various rail dependent products.

Our major North American chemicals and glass plants are located along the Gulf Coast, in the northeast, and the central portion of the United States and in eastern Canada. Accordingly, we have been significantly impacted by the mergers of major railroads that have already taken place and would be similarly impacted by other proposed mergers. Of particular importance and seriousness is the issue of competitive access to our plants and those of our customers in terms of both service and competitive costs.

We commend the decision of the Board to conduct a serious reexamination of the STB regulations governing proposals for major rail consolidations and to seek public comment on these important issues.

Following, then, are our comments on PPG Industries' position with regard to STB Ex Parte No. 582 (sub-No. 1). The comments are organized according to the categories outlined in Ex Parte No. 582 (sub-No. 1) issued March 31, 2000 entitled "Major Rail Consolidation Procedures". Our comments are ordered in the same sequence.

1. Downstream Effects

We believe that the Board needs to place particular emphasis on the downstream effects of the very significant changes that have taken place in the rail industry over the last 10 years. There are now a very limited number of class one railroads. Accordingly, it is evident that if any further mergers in the North American railroad industry are permitted to take place, the limited number of other class one railroads that remain can be expected to strategically respond to retain critical mass in an consolidating industry. We have serious concern that there is an increasing probability of a resulting duopoly of major railroads with very significant negative potential impacts on the ability of shippers to obtain competitive rail shipping services. In the current environment, any further merger proceedings must responsibly consider the cumulative impacts on an increasingly fragile system.

2. Maintaining Safe Operations

We support the Board's intention to continue the requirement of an acceptable Safety Integration Plan as a key requirement in the merger approval process. We support the Board's view that applicants must work with the Federal Railroad Administration to formulate the safety integration plans. PPG is a captive rail shipper of hazardous materials and very strongly supports these requirements that are crucial to the safety of the public.

3. Safeguarding Rail Service

We believe that current merger procedures are significantly deficient in outlining and requiring realistic and practical service safeguard action plans by the merger applicants. PPG supports the requirement of more detailed service integration plans, with enforceable and well defined penalties, and mandatory settlement rules for disputes resulting from post merger service disruptions. Such rules should include clear and mandatory time frames for final settlement. In it's current form, settlement of service disputes by the railroads is arbitrary and based only on commercial considerations. The rules on restitution need to be clear, mandatory and apply equally to all damaged parties.

4. Promoting and Enhancing Competition

This is the first priority issue for PPG Industries.

Historically, rail merger decisions have not promoted or even maintained rail to rail competition. The Board must provide for protection and enhancement of rail to rail competition in all rail merger proceedings, and in no case should mergers result in degradation of competition. Furthermore, competitive access must be made mandatory in all currently "captive" situations. In addition, competitive access must be required for merger-related situations where shippers are likely to become "captive". Competition must be further guaranteed by requiring railroads to offer rates to rail users on their individual portions of routes where traffic is moved. Rail carriers must maintain open routings and access to all gateways at reasonable rate levels as a precondition to merger approvals.

Reduced rail competition has resulted in monopolistic-like pricing policies by the rail carriers, evidenced by differential pricing for captive shippers which is disproportionately higher than pricing where competition exists. The penalty is even higher on rail dependent traffic. There are no negotiations on price or service with any railroad from a captive origin. Such pricing policies dramatically impact PPG's ability to remain competitive in its markets.

PPG has been and continues to be a proponent of rail to rail competition. Through our filings in several proceedings, and as a participant in major associations, we have supported the creation and expansion of rail to rail competition. This can be accomplished through access, switching or haulage agreements.

It has been our experience that the absence of competition results in freight rates that are 20 to 40 percent higher on captive non-competitive traffic. Almost every attempt we have made to establish rail to rail competition has failed.

It is imperative that future policies and decisions provide and create rail to rail competition, giving the rail users a choice in the marketplace.

5. Shortline and Regional Railroads

We believe that shortline and regional railroads must have guaranteed rights to interchange with any class one railroad without restrictions as a condition of merger approval. So called "paper restrictions" (agreements between short lines and regional railroads and class one railroads) which reduce or restrict competitive access should be removed.

Shortlines are an increasingly critical part of the nation's rail system. It is imperative that they remain financially viable and have the opportunity to compete for traffic. In any proceeding, the shortlines should be granted authority, when feasible, to serve any rail user. This can be accomplished through haulage, access or direct operations. However they should not be restricted from providing competitive service in order to protect captive traffic for another carrier.

6. Employee issues

We have no comments on this topic.

7. Three-to- two issues

Please refer to comments under "Promoting and Enhancing Competition".

8. Merger-Related Pubic Interest Benefits

We support the position that the Board should view alleged merger benefits with greater scrutiny in light of past experience where purported merger benefits did not come to fruition. PPG believes enhancement of competition is the single most effective way that merger benefits can be achieved.

9. Cross border Issues

Within the North American railroad system, we do not have concerns about the nationality of the owners of the railroads or the location of their corporate headquarters. What is critical to the long term competitiveness of our various businesses is that rail to rail competition be created or maintained and users be provided with practical and viable competitive choices for rail service.

Thank you for the opportunity to offer our comments and ideas on these very important matters.

Yours truly,

L. Blaine Boswell

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